United States Department of Agriculture

Foreign Agricultural Service

Circular Series

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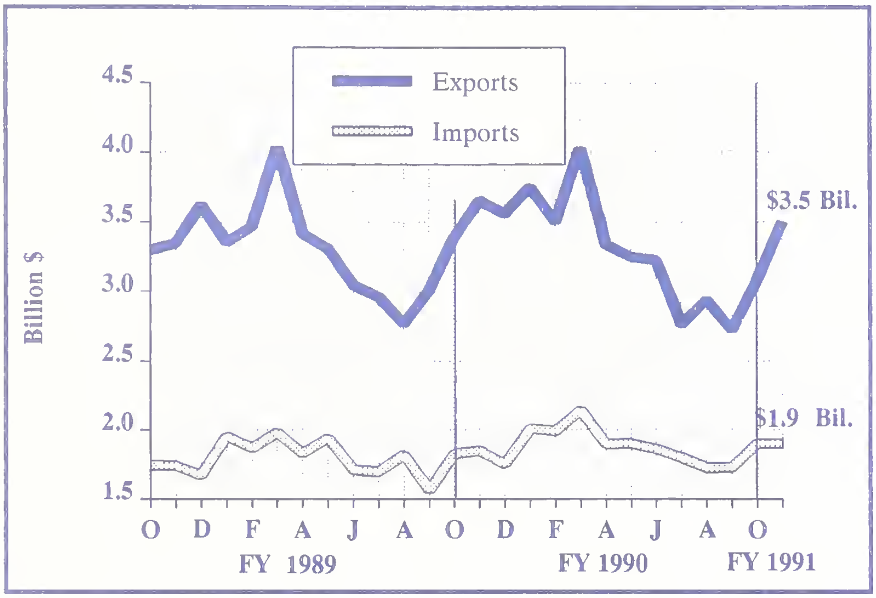
AGRICULTURAL TRADE HIGHLIGHTS

Lower Grain and Soybean Sales Lead November Export Drop



November trade statistics released on January 18 by the Commerce Department revealed that overall agricultural exports for the month totaled $3.5 billion. This was up $420 million from October's level but down $160 million from November of a year ago and marks the fourth time in as many months that export value has dropped from year-ago levels.

Overall export volume fell as well. November exports totaled 12 million tons, off 19 percent from a year ago, due primarily to reduced corn exports which were off 3 million tons, or 44 percent.

Imports totaled $1.9 billion, virtually unchanged from October's level but up $50 million from a year earlier. This, combined with the export performance, puts the monthly agricultural trade surplus at $1.6 billion.

Most of the decline during November was due to the reduced value of bulk commodity exports such as wheat, corn, and soybeans. Cotton continues to be the sole bright spot in an otherwise slow bulk market with a value gain in November of 46 percent. Highvalue products appear to be headed for another record year with export gains over a fairly broad range of products. Increases were registered for horticultural products (up 36 percent to $537 million), red meats (up 22 percent to $220 million), and poultry meat (up 13 percent to $57 million).

Export performance with our top 10 trading partners for November was mixed though largely down, with only three showing gains from last year's level, two roughly unchanged, and the rest being down. Markets showing increases included Canada (up 117 percent, much of which continues to be from changes in statistical reporting methods), South Korea (up 13 percent), and Egypt (up 3 percent). Modest declines were registered in exports to the EC (down 2 percent), Japan (down 3 percent), Mexico (down 3 percent), and Taiwan (down 4 percent). A substantial decline (79 percent) occurred in the value of shipments to the USSR, which continues to suffer from a sharp showdown in U.S. grain exports.

November's trade statistics mean exports for the first 2 months of fiscal 1991 have reached a total of $6.6 billion, down 7 percent from the same period last year. Imports to date now total $3.8 billion, up 4 percent, leaving the trade surplus at $2.8 billion, down $620 million from the same 2 month period last year.

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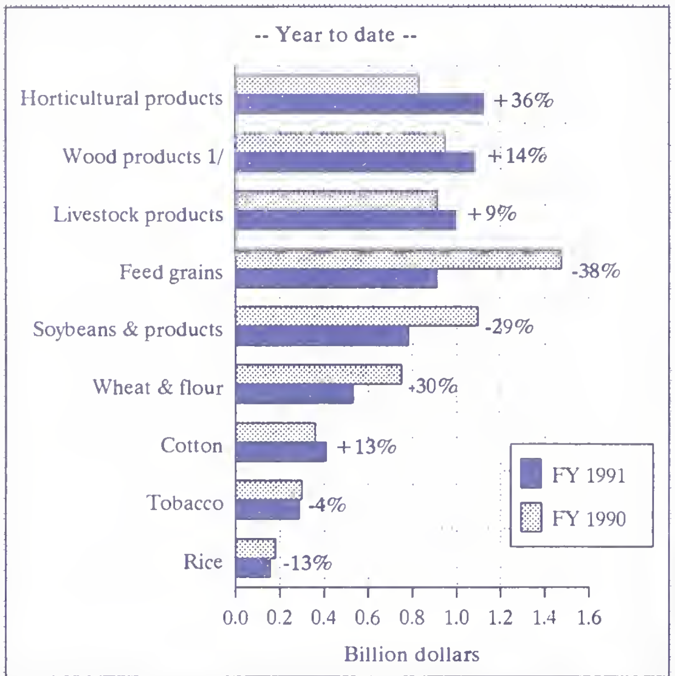
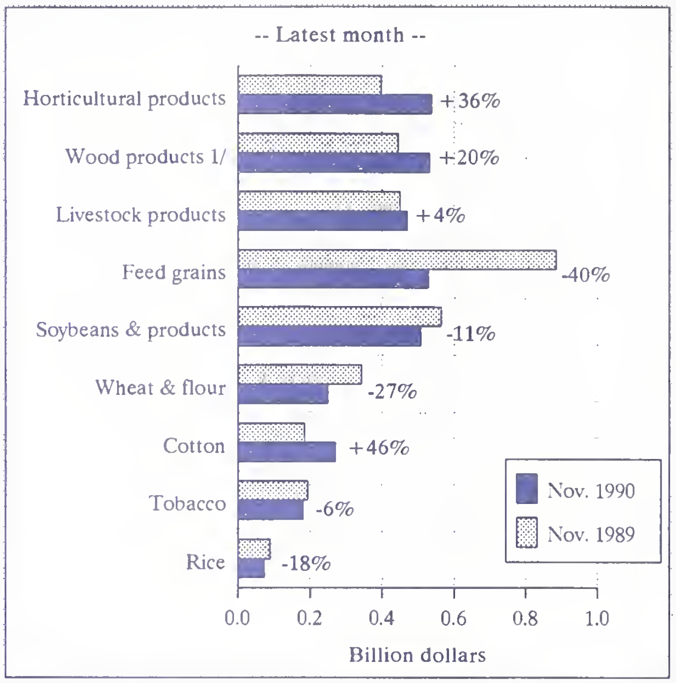
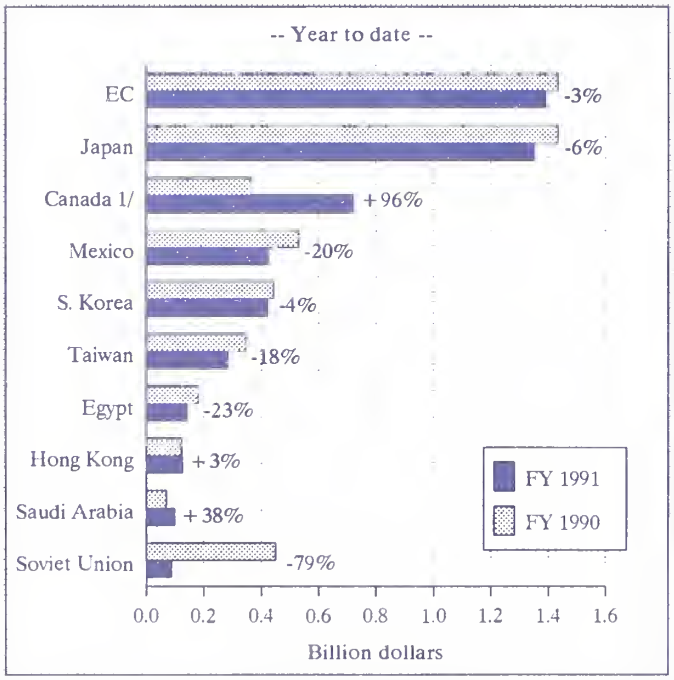
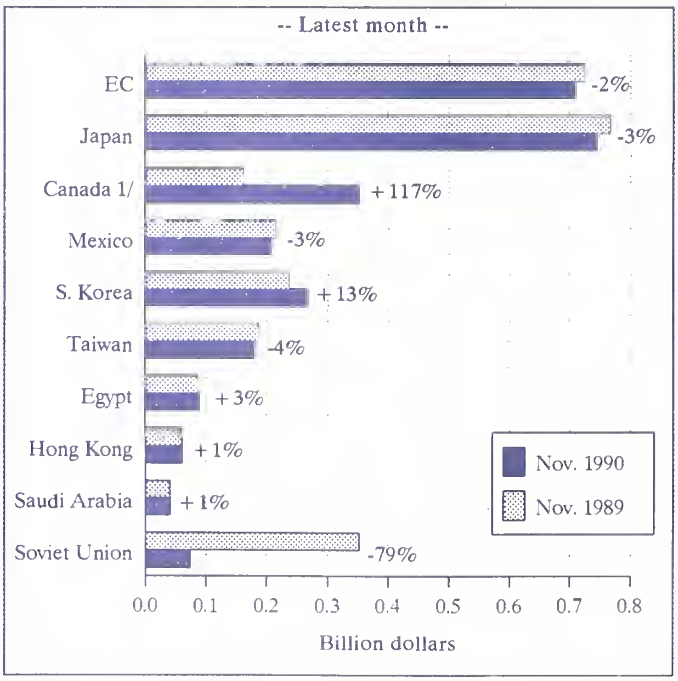




Top Ten Markets Summary





Note: Percentages are computed as the change from a year ago.

1/ U.S. agricultural exports to Canada have been under-reported in past years by about $1 billion a year and officially recognized by both Governments. Effective January 1990, the U.S. Bureau of the Census began adjusting U.S. export statistics to account for these differences.

Commodity Highlights

Total agricultural exports were down 4 percent in value and 19 percent in volume in November from a year ago. Most of this decline was felt in feed grains, soybeans, and wheat. Despite the general drop in total exports, horticultural, wood, and cotton products all managed to have double-digit increases.

The value of *wheat and flour* sales continued to decline in November, while volume increased slightly. Export value declined 27 percent to $249 million from November 1989, but volume increased 7 percent, indicating a significant drop in export prices. The price decrease was fueled by a declining demand for exports brought on by a near record global supply. The first 2 months of fiscal 1991 show the export value of wheat and flour down to all the major markets, especially Egypt which declined 72 percent from the same period last year.

Feed grains declined 40 percent in value and 39 percent in volume during November. Exports to the Soviet Union were down dramatically for the month, accounting for $316 million of the total decline of $357 million. Sales to Mexico also experienced a significant decline, dropping $32 million, while sales to Egypt were up nearly $40 million. Cumulative-to-date exports of feed grains are down 38 percent to $911 million from the same 2 month period a year ago.

November *rice* exports declined 18 percent in value but only 1 percent in volume from November 1989. Mexico and Peru experienced the largest declines, dropping $17.8 million and $9.1 million, respectively, from year-ago levels. However, a number of markets have emerged recently helping to recover these losses. These countries include Brazil (up $6.1 million), the EC (up $5.7 million), Haiti (up $2.8 million), and South Korea (up $2.2 million). For the first 2 months of fiscal 1991, rice exports declined $22 million from the same period in fiscal 1990.

Global demand for *oilseeds and products* remained sluggish in November. This, mixed with larger production worldwide, has helped to reduce shipments by 10 percent in value and 12 percent in volume from last November. The most pronounced drops occurred to the EC (down $57 million) and Indonesia (down $18 million). These declines were partially recovered by increases to the Soviet Union (up $35 million) and Taiwan (up $22 million). The October-November start of the fiscal year also shows declines for oilseed and product export down 29 percent to $783 million from last year.

Cotton sales rebounded in November from year-ago numbers after 2 months of declines. Export value increased 46 percent and volume gained 38 percent. Cumulative figures for the first 2 months of the fiscal year show exports ahead 13 percent to $409 million. U.S. cotton exports are currently riding a wave of relatively strong global demand due to small worldwide stocks. Notable increases came from two traditional U.S. markets, Japan and South Korea, and one new market, Egypt, which is normally a competitor.

Unmanufactured tobacco exports to the EC, by far the largest U.S. market, were up 28 percent in November to $73.3 million from last November. However, total tobacco exports were down 3 percent in volume and 6 percent in value for the month. The gains to the EC were more than offset by large declines to Japan (down 33 percent to $38 million) and Taiwan (down 40 percent to $25 million).

Livestock products continued to gain slightly in November, increasing 4 percent to $464 million from November 1989. Beef and veal exports helped fuel the growth with an increase of $36 million. Three of the top five markets experienced gains including South Korea (up 27 percent to $83 million), Mexico (up 51 percent to $53 million), and Canada (up 82 percent to $47 million). The two top markets, Japan and the EC, experienced declines of 3 and 33 percent, respectively. So far this fiscal year, exports are up 9 percent over the same October-November period last year.

Horticultural products registered large sales increases in November, resulting in a 36-percent gain over the previous November. Commodity standouts included onions, lettuce, fresh grapes, and apples. Top markets for the month were Canada, the EC, Japan, Mexico, and Taiwan. The same trend is evident in year-to-date figures, with sales value for the October-November period up 36 percent from last year.

Reaching $526 million, *wood product sales* were up $85 million from a year ago. Of the top five major markets, South Korea was the only one to experience a decline, down 41 percent to $19 million.

For more information contact, Kelly Kirby, (202) 382-1034.

Top Five Markets for Major U.S. Commodities

October - November Comparisons

Note: Percentages are computed as the change from fiscal 1990 to fiscal 1991.

Country Spotlight: Taiwan

For the second year in a row, *Taiwan* has been placed at the top of the list of best growth market prospects over the next 5 years, based on the most recent FAS analysis of U.S. agricultural export markets. Taiwan is one of a number of newly industrialized countries (NICs) in Asia which have experienced strong income growth in recent years, making them good prospects for market expansion. As these countries become industrialized and incomes grow, tastes and preferences move more towards consumer-oriented, high-value products, of which the U.S. is a large supplier.

Taiwan imported a record $4.3 billion in agricultural products from the world in 1989, the U.S. share of the import market was approximately 37 percent. U.S. agricultural exports to Taiwan grew 14 percent in fiscal 1990 to a record $1.8 billion, ranking it as the seventh largest market for U.S. farm products. Exports to Taiwan have risen annually since fiscal 1986. The largest expansions have been seen in consumer-oriented products, such as fresh and processed fruits and vegetables, and bulk products, such as coarse grains and soybeans. Unfortunately, the forecast for 1991 is down slightly to $1.6 billion. Reduced sales are expected mainly because of a weaker demand for cotton, coarse grains, and soybeans. In addition, slower growth in the demand for high-value products is expected due to a forecast of slower economic growth.

Taiwan has historically been protective of its domestic agricultural industry, using import bans and high tariffs against foreign competition. Because Taiwan is not a member of the General Agreement on Tariffs and Trade (GATT), bilateral negotiations to remove these barriers to trade are more difficult. On January 1, 1990, Taiwan submitted a formal application for membership to GATT as a customs territory. While the accession process is expected to be delayed due to political considerations, Taiwan expressed a willingness to be accepted as a developed economy, to bind all tariffs, to bring non-tariff measures into GATT conformance, and to sign many of the GATT codes. All of these measures would help open up the Taiwan market to U.S. exports.

With the announcement of the 1988 U.S. Trade Act with its special trade negotiating provisions under Section 301 and a growing concern over the size of the trade deficit, Taiwan announced a Trade Action Plan (TAP) to focus on reducing the trade surplus with the United States. The plan involved expanding domestic demand and increasing imports from the United States, reducing exports to the U.S. by diversifying destinations, and seeking solutions to bilateral trade problems. While Taiwan is currently on track in narrowing its trade gap with the U.S., as called for under the TAP, liberalization in agriculture has been slow, primarily for value-added products.

Bulk agricultural commodities represent about three-fourths of total U.S. agricultural sales to Taiwan. Taiwan is currently the third largest market for U.S. soybeans and products, at $469 million in fiscal 1990, and the fifth largest market for feed grains, at $611 million. In fiscal 1990, Taiwan was the fifth largest market for U.S. horticultural products at $185 million, up 22 percent from fiscal 1989. Even with the expectation of a slowdown in Taiwan's economy for the short-run, U.S. exports of horticultural and other high-value products are expected to increase over the next 5 years. The greatest potential for U.S. agricultural goods will be in products which Taiwan cannot provide competitively. Such U.S. products include certain deciduous fruits and fruit juices, special beef cuts, and convenience foods.

For more information, contact Kelly Kirby, (202) 382-1034.

U.S. Exports of Agricultural Products to Taiwan
Fiscal Year Comparisons (Million $)

Export Category	Fiscal Years 1989	1990	% Change
Bulk Total	1,156	1,382	19.6%
Coarse Grains	464	611	31.7%
Soybeans	433	469	8.26%
Intermediate Total	219	196	-10.7%
Hides & Skins	125	117	-6.4%
Feeds & Fodders	23	28	20.9%
Consumer-Oriented Total	217	238	9.4%
Fresh Fruit & Vegetables	81	109	34.1%
Processed Fruits & Veg.	27	31	15.6%
Agricultural Total	1,593	1,816	14.0%

November Agricultural Imports Remain Steady, But Competitive Imports Continue To Expand

U.S. agricultural imports for November totaled $1.9 billion, down $24 million from October but up $50 million or 3 percent from year-ago levels. This matched the previous November high set in 1987 and continues the trend of rising imports. Imports to date this fiscal year now total $3.8 billion, up $150 million from the same 2 month period last year.

Competitive imports continued to grow in November although at a more moderate rate than in recent months. Imports for this category totaled $1.5 billion, up only 1 percent from October, but up 5 percent from last November. Most of the increase from year-ago levels was attributable to increased purchases of pork, beef and veal, and wines and beer.

Pork imports increased 31 percent to $82 million from year-ago levels. Canadian pork sales rose 23 percent to $38 million, and Danish pork jumped 51 percent to $28 million. More modest but still notable increases were registered from Poland, Hungary, and Yugoslavia, the last two of which more than doubled their sales to the U.S. of pork. Pork imports to date now total $174 million, up 39 percent from the same 2 month period last year and appear headed for their highest levels since 1988.

Competitive imports continue to grow with moderate gains.

Beef and veal imports were up 8 percent to $158 million from year ago figures. Virtually all of this gain came from a 37-percent increase from New Zealand with sales totaling almost $25 million as well as a 7-percent increase from Australia as November purchases reached $83 million. November's results bring imports to date to $314 million, up 9 percent from last year.

Wine and beer imports rose 4 percent from year-ago levels, with beer accounting for the bulk of the gain. Beer imports surged from the Netherlands to $37 million, up $10 million from last November. Smaller increases of $1.5 million and $1 million came from Australia and Germany respectively. Like pork and beef, imports to date of wine and beer are running ahead of year-earlier levels with imports totaling $413 million, up 6 percent from last year.

Noncompetitive imports declined $40 million, or 9 percent, from October and 6 percent from last November. The yearly decline was led by coffee and products which were off 27 percent from last November and for the month totaled $371 million. Imports of coffee have declined significantly from both October and year-ago levels. Last year, the international coffee organization suspended quotas by member countries, leading to significant increases in coffee sales. With current stocks of coffee being unusually high, coffee imports for November have returned to more typical levels. Rubber imports, however, posted a monthly increase of 47 percent to $133 million. The increase in rubber imports is due to domestic tire manufacturers rebuilding stocks which were drawn down in anticipation of weak automobile sales in the third quarter.

For more information, contact Thomas St. Clair, (202)382-9521.

Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools.

U.S. Agricultural Imports by Major Product Sector

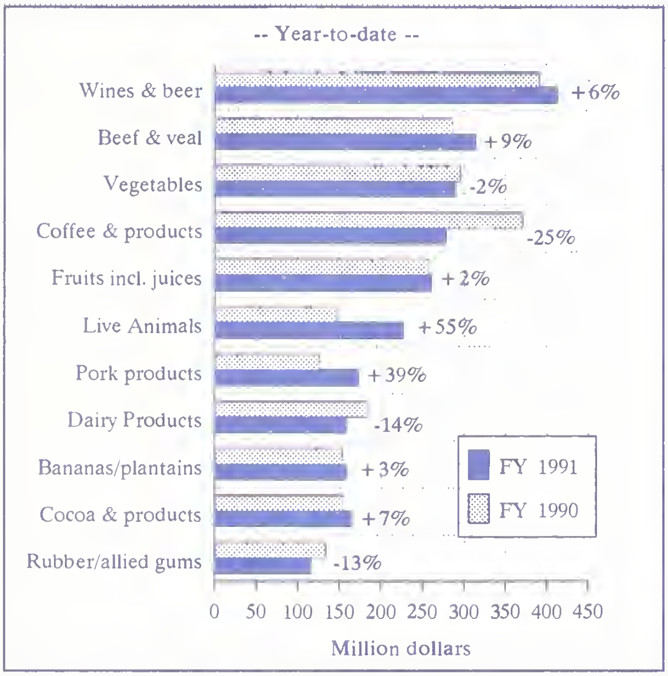
November 1990 Versus Month-ago and Year-ago

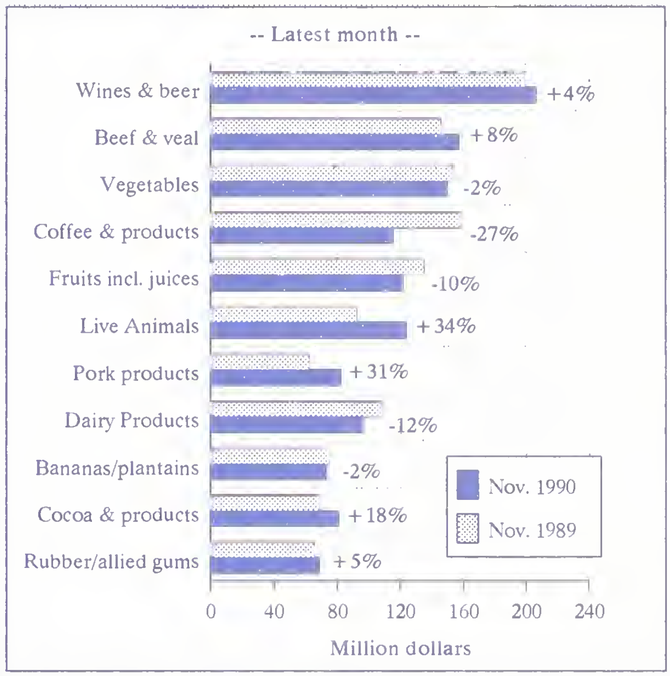
Import Category	Nov 1990	Month Ago	Year Ago	% Change From Oct '90	% Change From Nov '89
	-- Million $ --				
Total competitive	1,487	1,470	1,411	1%	5%
Fruits, incl. juices	121	140	135	-13%	-10%
Wines & beer	207	207	199	0%	4%
Vegetables	150	139	154	8%	-2%
Beef & veal	158	156	146	1%	8%
Dairy products	85	74	97	15%	-12%
Pork	82	91	63	-10%	31%
Total noncompetitive	411	451	438	-9%	-6%
Coffee & products	115	163	159	-29%	-27%
Cocoa & products	81	84	69	-4%	18%
Bananas/plantains	73	85	75	-14%	-2%
Rubber/allied gums	69	47	66	47%	5%
Spices	21	20	20	6%	6%
Tea	11	11	12	1%	-9%
Total agri. imports	1,898	1,922	1,849	-1%	3%

Source: Commodity Trade Analysis Branch, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

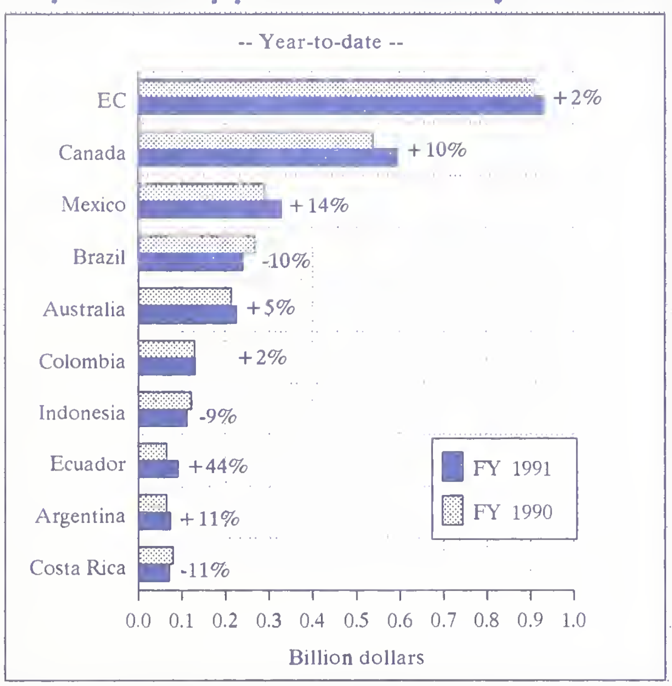
U.S. Agricultural Import Summaries
October-November and Latest Month Comparisons

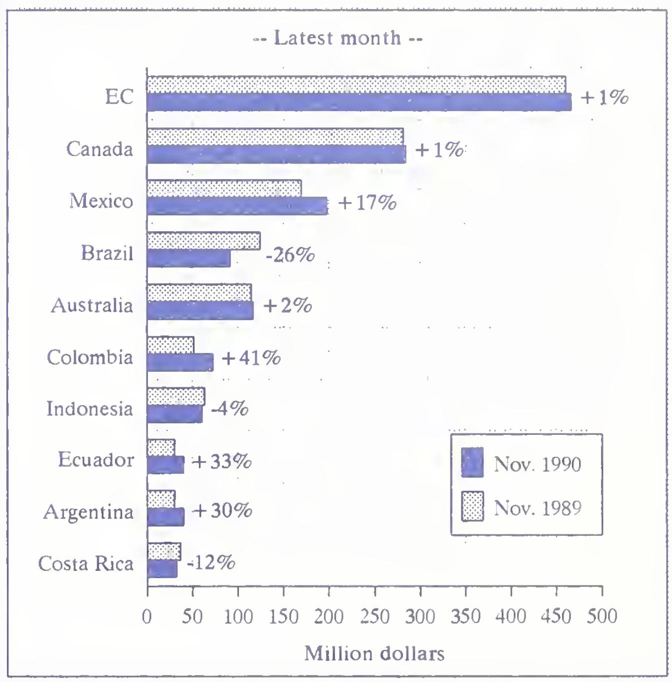
Product Summary





Top Ten Suppliers Summary





Note: Percentages are computed as the change from a year ago.

Trade Policy Updates

Uruguay Round Update

The Uruguay Round ministerial meeting in Brussels the week of December 3, which was supposed to be the concluding session for the Round, ended in a deadlock that necessitated the suspension of the negotiations. The primary reason for the deadlock was the continued intransigence of the European Community (EC) on the issue of agriculture. At the January 15 meeting of the Trade Negotiations Committee (TNC), GATT Director-General Dunkel gave a status report on the consultations he was charged with undertaking in the aftermath of the Brussels Ministerial meeting. He indicated that he had been consulting on the full range of outstanding Uruguay Round issues, but that clearly agriculture remained the key to re-starting the negotiations. He indicated that his consultations would require additional time, but that he remained cautiously optimistic. When his consultations brought him to the point, he said, where he was convinced that there was an agreed platform on which the agriculture negotiations could be conducted, he intended to simultaneously re-initiate talks in all areas of the Round.

Agreement on Extension of EC Enlargement Compensation

An exchange of letters between USTR Ambassador Hills and EC Commission's Vice President Andriessen took place on December 21, 1990, officially extending the 1987 EC enlargement compensation agreement through December 31, 1991. Terms and conditions of the agreement remain unchanged. Thus, in 1991 Spain is committed to import from non-EC sources 2 million tons of corn, and 300,000 tons of sorghum. However, imports of certain non-grain feed ingredients can be substituted for corn and sorghum. The United States and the EC also have agreed to resume compensation negotiations no later than June 1991 in order to achieve a final and mutually satisfactory understanding prior to September 30, 1991.

EC Commission Debates on Price Package Proposals

On January 4, EC Agriculture Commissioner MacSharry made the initial oral presentation to his fellow Commissioners on the 1991/92 price package proposal. Details were not available, but the price package is expected to include proposals for the reform of the EC's Common Agricultural Policy (CAP). Reforms could include such measures as increased funding for structural and regional development programs, and strengthening of the set-aside program, possibly by making it mandatory. A plan for direct income support was also said to be under consideration. The package could also include proposals to strengthen CAP reforms begun in the mid-1980's, including further tightening of milk quotas and lowering the intervention price of grains. Consideration of the proposals by the decision-making Council of Agricultural Ministers was expected to start at the Council's meeting of February 4-5.

Japan Holds Final Tender For Imported Beef

On December 12, 1990, Japan's Livestock Industry Promotion Corporation (LIPC) held its final ordinary tender for the second half of Japan's Fiscal Year (April-March). The entire amount of imported beef assigned to the tender (8,726 tons) was purchased, including 3,827 tons of grain-fed beef. Nearly all of the grain-fed beef will be imported from the United States (33 tons from Canada). By filling this tender, LIPC has fully utilized its allocation of quota beef for Japan's FY 1990, in accordance with the 1988 Beef and Citrus Agreement. This marks the end of the Government's involvement in the purchasing of imported beef. Japan will eliminate its beef import quotas on April 1, 1991, but will increase the current 25-percent import tariff to 70-percent. A reduction in the 70-percent duty to 60-percent and then to 50-percent is scheduled for the subsequent two Japanese fiscal years. It is expected that the 50-percent tariff rate remaining after April 1, 1994, will be the subject of further negotiations.

USTR Accepts 301 Petition Against EC's Third - Country Meat Directive

On January 10, 1991, the Office of the U.S. Trade Representative (USTR) accepted the Section 301 petition filed by the National Pork Producers' Council and the American Meat Institute against the EC's Third-Country Meat Directive, which prohibits the EC from importing U.S. pork and beef. However, because additional bilateral discussions between the United States and the EC could produce an agreement to re-certify delisted U.S. plants and resolve the fundamental issue of equivalence between inspection systems, USTR has stated that it is prepared to delay dispute settlement for up to an additional 90 days above the required 60 days.

Japan Appears Willing To End Aflatoxin Testing

The Japanese Ministry of Health and Welfare (MHW) has informed the U.S. Embassy in Tokyo that it would like to abolish the 100-percent import inspection for aflatoxin in U.S. corn. The United States is working with Japan to facilitate this decision. Since October 3, 1988, the MHW has been sampling and testing for aflatoxin contamination every shipment of corn, frozen or canned sweet corn, and corn for feed or starch. The screening resulted from findings of aflatoxin in drought-stressed field corn in the United States. No aflatoxin has been found in processed sweet corn to date by the U.S. or the Japanese; however, testing of other types of corn revealed aflatoxin in excess of 10 parts per billion (ppb) in approximately 20 shipments. MHW's tolerance level for aflatoxin in corn for human consumption is 10 ppb, while the U.S. standard is 20 ppb. The testing program has not detected an aflatoxin violation since October 1989.

Modifications to U.S.-South Korean Wine Agreement

A proposed law before the Korean National Assembly would have reduced some of the concessions called for in the U.S.-South Korean Exchange of Letters on Wine (Wine Agreement) of January 17, 1989. However, at U.S.-South Korean meetings, agreement was reached on modifications to several South Korean taxes which, when fully enacted, should more than restore the original agreement's level of concessions.

Report Paints Bleak Picture Of Soviet Economy

A joint IMF/World Bank/OECD/European Bank for Reconstruction and Development report on the state of the Soviet economy, released on December 21, 1990, advocates offering technical assistance (not aid) until a stronger "commitment to reform" is evident. Pertinent sections state: (a) Soviet per capita income is one-tenth that in the Western, industrialized nations, and only three-fourths that in Eastern Europe; (b) total Soviet output is one-tenth of that of the United States--indicating a past gross overstatement of the size and wealth of the Soviet economy--and is declining 5 percent per year; (c) 40 percent inflation is likely in 1991; and (d) Soviet foreign exchange reserves were drawn down by more than 50 percent in 1989, to about $5 billion. The report confirms that in the agricultural sector post-harvest losses range from 20 percent (grains) to 40 percent (fruits and vegetables). These losses easily amount to $20 billion per year, roughly equal to the Soviet food import bill. The report also strongly advocates a decisive and irreversible program to liberalize prices and establish property rights.

Materials Available:

- Export Enhancement Program (Revised November 1990)
- U.S./Soviet Grain Trade (November 26, 1990)
- Trade Policies and Market Opportunities for U.S. Farm Exports - 1989 Annual Report

Trade Policy Updates are prepared monthly by the Trade Assistance and Planning Office, International Trade Policy, Foreign Agricultural Service, U.S. Department of Agriculture. Requests for copies of Fact Sheets and reports listed above may be sent to the Trade Assistance and Planning Office, 301 Park Center Drive, Suite 1103, Alexandria, VA 22302. Tel: (703) 756-6001. FAX: (703) 756-6124.

Market Updates

USSR Makes Record One-Day Corn Purchase

Following the conclusion of credit consultations between top United States and Soviet officials, the U.S.S.R. made a record 1-day purchase of 3.7 million tons of corn valued at $340 million to $380 million. The purchases were reported after U.S. and Soviet officials finalized details regarding the U.S. offer of $1 billion in credit guarantees to the USSR via the GSM-102 program. As a result of the meeting, credit guarantees were made available for the Soviet purchase of $530 million of corn which would be expected to cover around 5 million tons of corn at current values. The corn purchases signify the desire by the Soviets to bolster their domestic feed situation and reduce livestock stress.

Japanese Beef Imports Continue To Increase, But Retail Prices Hold Firm

Large quantities of beef continue to arrive in Japan as the April 1, 1991, liberalization date nears. Japanese beef imports from the United States are up 5 percent and up 3 percent from all sources in 1990 (Jan.-Oct.) compared with a year ago. Retail prices have not declined despite sharply lower wholesale prices, rising imports, and mounting stocks. Japanese retailers, now apparently helping themselves to a 40- to 50- percent markup, are facing mounting criticism from Japanese beef wholesalers and American meat packers. Retailers claim that consumer confidence would be destroyed if they lowered prices now, because on April 1 retail prices might actually rise again with the new 70-percent tariff on imported beef.

Philippines Lifts Ban on California Fruit Imports

On January 8, 1991, the Government of the Philippines officially rescinded its August 23, 1990, ban on import permits for fresh fruits from the state of California. The directive allowing resumption of these imports followed agricultural counselor's notification of Philippine authorities that quarantine measures for Mediterranean fruitfly in California had been lifted. The Counselor reports that shipments from California during the period were not severely affected because many fruit importers were already in possession of a great number of import permits for grapes and oranges prior to the ban.

U.S. Horticultural Trade Has Net Surplus in October 1990

U.S. horticultural exports broke a record in October 1990, with total horticultural exports to all countries at $554.8 million, resulting in a net trade surplus in horticultural trade for that month. Shelled almond exports jumped the most, to $66 million, from $50.4 million in October 1989. In percentage terms, fresh pears increased the most, to $9.9 million, up 88 percent from the $5.3 million in October 1989. Other products accounting for the increase included fresh grapes, fresh strawberries, fresh grapefruit, raisins, unshelled walnuts, and wine. Exports to the EC, Japan, and Canada, traditionally our largest markets, all have posted substantial increases.

Guyanese Sugar Exports For 1989/90 Plummet to Record Low

Guyanese sugar shipments to the United States will fall below 100,000 tons for the first time in USDA's historical series, which dates back to 1974/75. This decline derives from a record low sugar outturn which is principally due to poor cane quality, labor problems, and industrial inefficiencies. This performance all but ensures that Guyana will not be able to meet its 1990/91 quota of 24,410 tons under the U.S. sugar program. It will be hard pressed to meet its EC quota of 167,000 tons as well, which could lead to a future reduction in its EC allocation. New management and possible ownership of the sugar industry could lead to future improvements in performance. Sugar exports presently account for about one-third of Guyana's total foreign exchange earnings.

EC Cuts Wheat Prices

Since the week of January 6, EC wheat prices have dropped by about $5 per ton, which is the largest price decline in several months.

...Market Updates

USDA Announces Fiscal 1991 GSM-102/103 Credits to Tunisia

On January 9, 1991, USDA authorized a total of $70 million in GSM-102/103 credit guarantees to U.S. exporters for sales of U.S. commodities to Tunisia. Of the $25 million available under GSM-102, $20 million is for coverage of vegetable oil sales, $1 million for tallow, and $4 million for solid wood products. Tunisia's GSM-103 program provides for credit guarantees worth $25 million for sales of wheat and $20 million for sales of feed grains.

India Loans Wheat And Rice to USSR

India has officially announced a loan of 1 million tons of wheat and a grant of 20,000 tons of rice to the Soviet Union. The offer allows India to move a portion of its large supplies and receive future payment in kind or negotiate terms for other products. India has been relatively unsuccessful in competing with other wheat exporters so far this marketing year with only 150,000 tons marketed.

Morocco Barley Imports Could Be Largest in Nearly A Decade

Normally self-sufficient in barley, Morocco has begun importing barley to offset early-season prospects for a short crop. Since October, Morocco has purchased 50,000 tons of subsidized barley from the EC, cash basis, for January delivery, and might need as much as 200,000 tons.

Turkey Buys EC Wheat

The Turkish Grain Board (TMO) recently purchased 75,000 tons of EC (French) wheat at $95 per ton C&F, for delivery in May-July 1991 in shipments of 25,000 tons each. These purchases from the EC are believed to be the first from any origin by TMO this year. Turkey's crop is better this year than last, so import needs are expected to be only 750,000 tons in 1990-91.

International Meat Council Concerned With Increasing Meat Supplies

Participants at the semiannual meeting of the International Meat Council in Geneva December 12 -14, voiced an alarm at the rapidly increasing EC beef intervention stocks, now expected to exceed 600,000 metric tons at the end of this year, compared to approximately 200,000 tons several months ago. Delegates from major meat exporting countries cautioned the EC to avoid disrupting traditional commercial markets in disposing of its excess beef. The EC suggested that the USSR will be a major recipient of their beef next year.

Sovietc Buys 266,500 Tons of Corn Under Long Term Grain Supply Agreement

On December 18, 1990, private exporters reported export sales of 266,500 tons of corn for delivery to the Soviet Union under the long-term grain supply agreement. Sales of corn to the Soviet Union for the final quarter of the agreement totaled 669,000 tons. In addition, sales of soybean meal and wheat flour totaled 387,000 tons and 47,000 tons, respectedly, were reported.

Butter Oil Sale to Mexico

The Commodity Credit Corporation (CCC) reports that a direct sale of 1,500 tons of butteroil was made to NESTEC, on January 16, 1991, for delivery in March to Mexico. The sales price is $1,625 per ton. This brings total fiscal 1991 CCC butteroil sales to 6,356 tons on a butter-equivelant-basis valued, at $8,308,125.

Canada Implements New Wheat Pricing System

Since August 1988, the Canadian Wheat Board (CWB) has systematically reduced the domestic selling price to bring it more in line with world wheat prices, and to prevent U.S. wheat from coming into Canada under the U.S.-Canada Free Trade Agreement (FTA). As of January 2, 1991, daily prices charged to Canadian millers by the CWB have been based on Minneapolis prices for spring and durum wheat.

EC Approves Derogation For Imports of U.S. Softwood Lumber

Under provisions of Directive 77/93/EEC, as amended, the EC requires imports of coniferous wood from several countries, including the United States, to be kiln dried (KD) beginning January 1, 1991. The purpose of the directive is to prevent the introduction of the pinewood nematode. However, U.S. plant health officials maintain that there is insufficient scientific basis for such action and note that the United States has shipped non-KD coniferous wood to European countries since colonial days. The KD requirement could have a significant adverse impact on U.S. softwood lumber exports to the EC which totaled $218 million during January-September 1990.

Widespread Use of Illegal Hormones in Spanish Beef Cattle

Veterinarians in Barcelona have found that over half of the feed lots in the Catalonia region are using hormones in beef production despite the ban of all hormones that has been in place since the end of 1987. Although the survey did not cover other regions, it is generally believed that the same situation is common throughout Spain, according to the U.S. agricultural counselor in Madrid. A majority of the cattle producers in the survey freely admitted to using hormones and claimed that in addition to the added weight gain from using hormones, many slaughter houses were unwilling to purchase cattle untreated with hormones. They claim the use of hormones in finishing cattle produces a whiter veal-like beef that is easier to market. (This is evidence supporting the U.S. position that the EC could not police the use of hormones in beef production). Spain produces about 450,000 metric tons of beef annually, or about 6 percent of EC-12 beef production.

Canadian Countervailing Duty on EC Beef May Expire

Since 1986, Canada has had in place a Countervailing Duty (CvD) on beef imports from the EC. Under Canadian law the CvD is set to expire in July 1991 unless continued material injury is found. Should the trade prohibitive CvD be dropped, the EC could once again supply the Canadian market with large volumes of beef. This in turn might raise the level of competition in the Canadian beef market as well as lead to increased exports of Canadian boneless beef to the United States which the Meat Import Law would be unable to control.

EC Reintroduces Storage Subsidies For Pork Export

On January 7, the EC Commission introduced "Private Storage Aids" (PSAS) for pigmeat as an attempt to raise depressed EC pork prices by promoting exports. The scheme covers both carcasses and cuts and applies to storage contracts of between 4-7 months where the stocks are designated for export from the moment of placement in storage. The amount of aid depends on the cut and duration of the contract, varying between 163 and 419 ECU per ton. PSAS may be introduced when the EC "reference price" (weighted average of the average EC internal prices) falls below 103 percent of the "basic price" (theoretical price set as part of the annual price package). Current pigmeat prices throughout the EC are sharply down from year-ago levels and are well below the intervention trigger. PSAS were last used during the first half of 1988, when 200,000 tons of pigmeat were stored; current levels of aid are the same in ECU terms as the 1988 levels.

Italy's Action Could Restrict U.S. Exports Of Beef Variety Meats

The Italian Ministry of Health will only authorize imports of beef organs and glands (offals) for pharmaceutical use under the same conditions as those for fresh meat. The Italian ruling says that the offals must be certified hormone-residue free rather than certified that the animal has never been administered hormones. U.S. exports of beef variety meats to Italy during Jan.-Oct. 1990 were valued at $264,000.

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Bright Outlook Ahead for Horticultural Exports

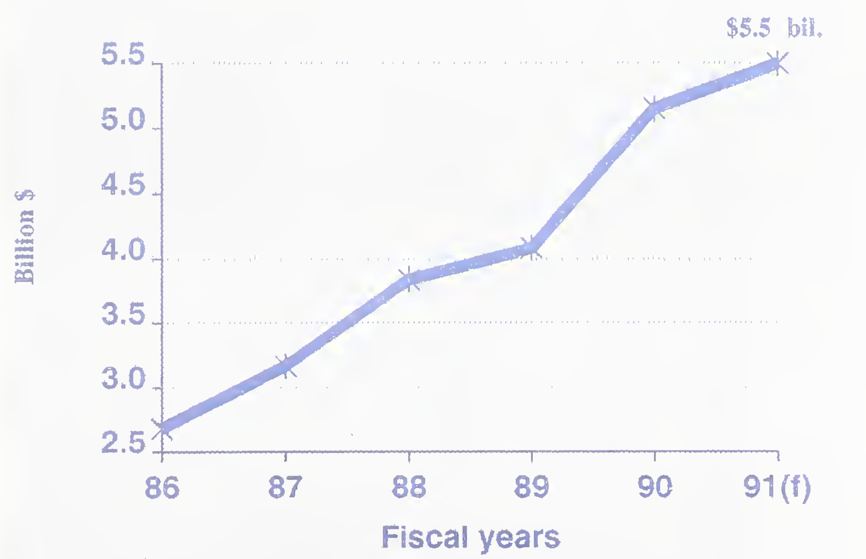
The United States is highly competitive in the production and export of horticultural products, and supplies the world market with a vast array of fresh and processed fruits and vegetables. Evidence of this competitiveness can be found in the consistent growth of U.S. horticultural exports in recent years. During the 5-year period from fiscal 1986 to fiscal 1990, the value of U.S. exports of horticultural products increased over 50 percent from $3.4 billion to about $5.3 billion. In fiscal 1991, USDA estimates a further 5-6 percent increase in sales over fiscal 1990.

Major U.S. horticultural exports include: treenuts such as almonds, walnuts and pistachios; fresh fruits including apples, grapes, cherries, avocados, peaches, pears, grapefruit, lemons, and oranges; dried fruit (principally raisins and prunes); processed potatoes; canned fruit and vegetables; fruit juices and wine. Although the United States normally accounts for less than 10 percent of the value of total world exports in these commodities, recent data indicate that the United States contributes an ever-increasing share of world trade in horticultural products. For some commodities, the United States is the dominant world supplier. For example, the United States normally supplies about 70 percent of world almond exports and over 40 percent of the world grapefruit market.

The United States contributes an ever-increasing share of world trade in horticultural products.

Given the number of products encompassed in the horticultural sector and the wide variety of factors that can affect production and trade in those commodities, it is always highly speculative to estimate overall trends in U.S. horticultural trade. Nevertheless, one area where export growth is forecast in fiscal 1991 is tree nuts. The volume of almond and pistachio exports should be up due to large crops, although the export value may be affected by declining prices for those commodities. In addition, many U.S. horticultural exports will continue to benefit from improved access as a result of a reduction in import restrictions in several markets. These include recent improved access for many products into Mexico, the reduction in restrictions in Japan on products such as oranges and fruit juices, and prospects for improved access for several items into Korea.

Horticultural Exports Forecast to Reach Record Level in Fiscal 1991



America's success in exporting horticultural products is based on several factors, including the consistent availability of high-quality U.S. horticultural products, international trade negotiations that have expanded foreign markets, aggressive U.S. marketing efforts, improvements in technology and transportation, favorable worldwide economic conditions, and a growing acceptance of the importance of exports by the U.S. agricultural industry.

Prospects for continued growth are encouraging. There are several reasons why U.S. horticultural exports should remain strong in the next decade.

Production Advantages

Although production of most temperate horticultural commodities, such as apples and tomatoes, is geographically widespread, output is also seasonal in nature. Many countries have shifted production of horticultural crops away from

widespread, small-scale holdings into large-scale operations on specialized farms that are highly concentrated in areas offering extended production seasons. The United States, one of the world's most efficient agricultural producers, is fortunate to be able to grow a wide range of high-quality horticultural commodities that will remain competitive in tomorrow's markets.

Technological Improvements in Storage and Transportation

Furthermore, international trade for a variety of fresh fruit and vegetables has increased with technological improvements in storage facilities and transportation methods, and the development of new varieties better able to withstand bulk handling and shipment.

Favorable Economic Conditions

U.S. horticultural exports have benefitted from the depreciation of the dollar since 1985. Also, rising incomes in developed and developing countries and changes in diets overseas have contributed to increased demand for U.S. horticultural exports. The trend toward increased exports of frozen and processed fruits and vegetables should also continue as consumers expand their search for quality produce that is also conveniently stored and prepared.

Market Promotion Activities and Export Awareness

The Targeted Export Assistance (TEA) program came out of the 1985 Farm Bill and was designed to provide funding to help U.S. farmers counter the adverse effects of unfair trade practices of other countries. Although the 1990 Farm Bill changed the program's name to the Market Promotion Program (MPP), its goals remain essentially the same.

A noteworthy difference between the TEA program and the proposed MPP is that the MPP would allow for expanded eligibility for participants. Unlike the TEA program, where a proven unfair trade practice was part of the criteria for funding, the MPP permits funding for any commodity that can show market potential.

The Foreign Agricultural Service (FAS) has had 5 years of experience in working with the TEA program, and is confident of its important contribution in furthering U.S. agricultural exports. Under the new Farm Bill, Congress has allocated up to $200 million per year for the next 5 years to the MPP. For the first year of the program, fiscal 1991, the full $200 million will be available. Horticultural products have traditionally taken a substantial part of this allocation. This financial commitment should continue to facilitate further expansion of U.S. horticultural exports.

Of course, U.S. market promotion activities are only part of the larger picture. Overall, there is a greater awareness among U.S. producers and exporters of the importance of the export market for the U.S. horticultural sector and an ever-greater degree of expertise in developing markets and tailoring U.S. products to foreign consumption habits.

Trade Policy Initiatives

The outlook for improved market opportunities for horticultural products in the future also rests on expanded access through reduction of trade-distorting policies. Restrictive trade policies are the single most important barrier to expanding U.S. exports, as is evidenced by the sharp increase in exports of commodities that have enjoyed trade liberalization in specific markets. FAS has actively worked to improve market access for numerous horticultural products in recent years. Recent successes in negotiating the liberalization of restrictive trade policies have led to significant gains in exports for specific horticultural sectors. Overall future growth rests in large part on a favorable outcome of the ongoing Uruguay Round of GATT negotiations. Should trade liberalization continue, prospects for U.S. horticultural exports will remain bright. Overall, horticultural producers would benefit from the relaxation of trade restrictions, especially in the Pacific Rim countries, where increasing affluence is stimulating consumer demand.

Markets: Past, Present, and Future

There are several new policy developments that will have a particularly significant impact on horticultural product trade in the future. In the past, U.S. trade policy pursuits have often been focussed on Europe and Asia. Now the U.S. is taking a closer look at home as well. New initiatives include the U.S.-Canada Free Trade Agreement, the Caribbean Basin Initiative, the proposed U.S-Mexico Free Trade Agreement, the proposed Andean Initiative, and the Enterprise for the Americas.

Above all, the possibility of the elimination of trade barriers on the North American continent will dominate many economic discussions in the coming months. Canada, Mexico, and the United States have a combined population of over 360 million. Coupled with the U.S.-Canada FTA, a U.S. Mexico agreement could mean a free trade area

with an annual GNP of $5.5 trillion, surpassing the European Community's combined GNP by over 30 percent. The opportunities and challenges for the U.S. horticultural industry stemming from these developments are far-reaching.

Western Hemisphere

Canada

Under the recent U.S.-Canada Free Trade Agreement (FTA), tariffs on U.S. exports to Canada are being reduced annually and will be eliminated by 1998. The U.S.-Canada FTA has already helped both the United States and Canada to increase their respective exports. In 1989, the first full year of implementation of the FTA, Statistics Canada figures showed that Canadian imports of U.S. horticultural products increased by 9 percent to $1.6 billion. U.S. imports of horticultural products from Canada increased 27 percent to almost $359 million. According to Canadian data, in calendar 1989 the United States provided 91 percent of the value of Canada's total fresh vegetable imports, 74 percent of its fresh fruit imports (excluding bananas), 57 percent of its tree nut imports, and 46 percent of its processed fruit and vegetable imports.

Despite the FTA, changes in either Canadian or U.S. health, phytosanitary or labeling policies could hinder trade between the two countries. For example, on January 1, 1990, the Government of Canada implemented a new regulation requiring grade labeling of all fresh produce shipped in consumer size packages. U.S. exports of several commodities were disrupted numerous times during a period of adjustment. Although Agriculture Canada, USDA and the affected industries worked hard together to minimize the disruptions, this example underscores the reality that health, sanitation, or labeling policies may often restrict trade as much as serve the consumer.

On the positive side, working groups have been created under the FTA and are meeting to discuss some of the outstanding technical issues involving grading, packaging, labeling, and health and phytosanitary problems. Horticultural trade between the two countries should continue to expand as long as these issues do not turn into contentious trade barriers.

During certain time periods, there are relatively high (8 to 12 percent) duties on Canadian imports of many U.S. commodities--fresh pears, apricots, cherries, peaches, plums, strawberries, tomatoes, onions, Brussels sprouts, broccoli, cabbage, lettuce, beets, radishes, cucumbers, peas, beans, asparagus, celery, mushrooms, sweet corn, and even higher tariffs on many of the frozen forms of these commodities. One should see greater U.S. exports of these commodities in the next several years as the tariffs decrease.

Mexico

Mexico is a growing export market for horticultural products. In fiscal 1990, U.S. horticultural exports to Mexico surpassed $143 million, an increase of 40 percent from a year earlier. Fresh deciduous fruits were the big winners with exports up by 53 percent to $29 million. Pears, apples, and peaches accounted for more than half of those exports with sales valued at $24 million. Although still impeded by relatively high tariffs, almond exports increased from $2.4 million in 1988 to $3.4 million in 1989.

The overall growth in exports to Mexico is the result of many factors. In 1986, Mexico joined the GATT and has since significantly lowered tariffs and eliminated import licensing for most horticultural products. U.S. exports have also increased due to Mexico's economic stabilization plan, which has significantly improved the economy.

Although apple acreage in Mexico is projected to continue increasing for the next 3-5 years, the rate of increase will decline. Weather and disease problems have reduced Mexican production of some tree fruits (pears, apples and stone fruit) during the past several seasons. In addition, Mexican deciduous fruit producers are being squeezed by high interest rates, reduced input subsidies, limited water supplies and decreased availability of agricultural credit.

All of the above factors point to good prospects for U.S. producers of fresh apples, pears, and stone fruits entering the Mexican market. Mexico's production of these fruits is not expected to increase much in 1990/91 due to the freeze in December 1989 and hail damage in the spring of 1990.

U.S. peach and nectarine exports to Mexico are expected to rise in 1990/91 due to the liberalization of import regulations and because Mexican production has expanded only moderately over the past few years. Permits are required for shipments made between July and October, and a 20-percent tariff must be paid on all shipments.

Mexico is also proving to be a bright spot for U.S. pear producers who have harvested record crops the past few seasons. After Mexico dropped its import permit requirements 2 years ago, U.S. exports to Mexico have more than doubled and the country has become the number one export market for U.S. pears. Mexican fresh pear imports are subject to a 20 percent tariff. The U.S. pear industry, assisted by the MPP, is developing markets in Mexico which should lead to continued increases in U.S. pear exports. Tight credit and a fungal outbreak in the largest Mexican producing area have reduced planted area and prevented additional pear plantings over the past few years.

U.S. exports of a wide range of other products including raisins, prunes, and many prepared foods also registered impressive gains in fiscal 1990.

Central America

From fiscal 1985 to fiscal 1990, U.S. exports to Central America have climbed from $31 million to $50 million. Increases have occurred in sales of fresh fruits and vegetables, processed vegetables, juices, nuts and wine. In fiscal 1990, substantial gains included fresh non-deciduous fruits, which rose 20 percent from a year earlier to $9.3 million. U.S. export opportunities to Central America should expand in the next decade as countries such as Costa Rica, Guatemala, and El Salvador, which have now joined or are in the process of joining the GATT, further liberalize their markets.

Venezuela

Venezuela was a significant market for horticultural exports prior to 1982. Then, from 1982 until it joined the GATT, Venezuela maintained a highly restrictive import policy for agricultural goods. On August 31, 1990, prospects again improved when Venezuela became the 98th Contracting Party to the GATT.

As part of its accession package, Venezuela agreed to significant liberalization of trade in agricultural products. Specifically, Venezuela committed: to undertake the progressive elimination of all quantitative restrictions which cannot be justified under the GATT by December 31, 1995; to not increase the scope of protection currently in force, or apply new measures that do not conform with the GATT; to implement a tariff ceiling binding of 50 percent from the date of accession and to lower it to 40 percent in 2 years; to adopt below-ceiling tariff bindings on roughly 60 items; and to eliminate non-tariff barriers affecting agricultural goods such as apples, pears, raisins, and almonds.

U.S.- Mexico FTA

In June 1990, the Presidents of the United States and Mexico agreed to initiate negotiations on a possible Free Trade Agreement intended to broaden and strengthen economic relations between the two countries and establish a climate of greater stability and confidence for trade and investment. On September 25, 1990, President Bush formally notified Congress of free trade negotiations with Mexico. Negotiations are expected to begin in the spring of 1991 and an agreement may be signed as early as 1992. Canada has expressed an interest in participating in the negotiations but it is too early to know what type of role it would play.

Overall, the proposed agreement seeks a means to improve and expand the flow of goods, services, and investment between the United States and Mexico. The FTA will look toward the gradual and comprehensive elimination of trade barriers between the two countries, including the full, phased elimination of import tariffs and the elimination or fullest possible reduction of non-tariff trade barriers, such as import quotas, licenses, and technical barriers to trade.

Naturally, the prospect of liberalized two-way trade has stirred fears among those in the U.S. horticultural industry who may be particularly vulnerable to a massive reduction or elimination of current U.S. import tariffs on fruits and vegetables from Mexico. Of particular concern are production advantages Mexico possesses including lower labor costs, low costs for social programs, and year-round growing conditions. The United States Government will need to work closely with the U.S. horticultural industry to ensure that rational, equitable adjustments are made as progress is made toward a free trade agreement with Mexico.

It is anticipated that eliminating these trade barriers will provide a great boost to U.S. export potential in Mexico for many commodities, especially for products that are currently constrained by import quotas or licensing restrictions.

Andean Initiative

On July 23, 1990, President Bush announced a package of new measures for several South American countries in the Andean region. These steps are aimed at providing Peru, Colombia, Ecuador, and Bolivia with long-term economic alternatives to the production and trafficking of illegal drugs. The program will also help to promote their transition into a comprehensive free trade zone for the Americas.

The main elements of the President's Andean package include a special tariff preference regime patterned after the Caribbean Basin Initiative; expanded agricultural development assistance, designed to work toward removing impediments to agricultural production and trade in the region; progress on trade and investment liberalization; and a special Generalized System of Preferences (GSP) review to consider requests from the four Andean countries to provide duty-free entry to specified commodities. Many of the products receiving duty-free treatment are horticultural products. U.S. horticultural imports from the Andean countries in 1989 were valued at $464 million, of which $198 million were cut flowers.

These new measures build upon the Administration's "Enterprise for the Americas," an economic partnership with Latin American and Caribbean nations, announced on June 27, 1990. This partnership is designed to encourage economic growth in the Americas by working towards a comprehensive Free Trade Agreement, improving the potential for investment, and providing additional support for debt and debt-service reduction in these countries.

Pacific Rim

The Pacific Rim is the fastest growing region for U.S. horticultural exports. In fiscal 1990, the region imported $1.75 billion in horticultural products from the United States, which places it as the most important region for horticultural exports. Many commodities such as pistachios, grape juice, and citrus products, depend on Asian markets for the majority of their export sales.

The dynamic nature of the Newly Industrialized Countries, such as Hong Kong, Singapore, Taiwan and Korea, has fueled the growth of export markets for U.S. horticultural products. Disposable incomes have risen sharply, and along with them, consumer demand has risen for a broad variety of food products.

With burgeoning demand for U.S. horticultural products, the region should provide unparalleled opportunities for exporters. However, many of the most important markets in the region have been characterized by a maze of trade barriers that are designed to allow native industries to grow unimpeded, or to protect inefficient local producers of certain products. Many U.S. export successes are associated with the reduction in these barriers. Assuming these barriers continue to fall, the region provides considerable promise for U.S. exporters of horticultural products. FAS projects continued growth in fiscal 1991, although probably at a slower pace than during the last few years.

Japan

Japan is the largest overseas market for U.S. horticultural products and the leading export destination for citrus products, cling peaches, raisins, papayas, and several processed vegetables. U.S. horticultural exports to Japan surpassed one billion dollars in 1989. Although the market for horticultural products continues to grow, some trade impediments remain for U.S. exporters. Japan's phytosanitary regulations for many products are especially onerous. However, by working closely with Japanese regulators, the U.S. has opened markets that were previously closed, such as those for walnuts and cherries. The U.S is a leader in advanced phytosanitary procedures, which has allowed us to capture a large share of many fresh produce markets. One example is the market for papayas, which the United States dominates because other producers have not replicated our procedures. Currently, the U.S. government and industry are working with the Japanese government to develop a phytosanitary protocol that would permit entry of United States apples into Japan.

Under the GATT-11 agreement, Japan's commitment to eliminate quotas on several horticultural products resulted in dramatic increases in U.S. exports. An example is grape juice where exports doubled in the first year following quota elimination. U.S. orange exports to Japan will enjoy improved export potential when, as a result of the U.S.-Japan Beef/Citrus Agreement, Japan liberalizes its orange market on April 1, 1991. Meaningful expansion, however, will only likely come about if the high Japanese tariff on oranges is reduced in the future. Japan is already the largest market for U.S. citrus, accounting for more than 45 percent of total U.S. shipments.

U.S. grapefruit exports to Japan are another success story. From 1985 to

1989, exports increased more than 150 percent. Over 50 percent of U.S. grapefruit exports, 85 percent of U.S. lemon exports and 30 percent of U.S. orange exports go to Japan.

Under the U.S.-Japan Beef/Citrus Agreement, Japan has committed to liberalize its orange juice imports in April 1992. Although the United States stands to gain a substantial share of this market, Brazil will also be a major player.

Taiwan

Taiwan is a good example of expanded export opportunities brought about by a long-term shift in horticultural production. In the past, Taiwan was a major producer of canned fruits and vegetables, and was largely self-sufficient in fresh produce. With the rapid industrialization that has taken place there, Taiwan has become one of the best markets for fresh produce in the Asian region. Taiwan's dependence on imports of fresh produce items will continue to expand, with demand increasing for a wider and wider range of products.

To illustrate the market growth, from 1987 to 1988, U.S. exports to Taiwan of fresh plums doubled, grapefruit tripled, and kiwi-fruit quadrupled. In fiscal 1990, the United States exported over $184 million worth of horticultural products to Taiwan. This amounted to over 7 percent of the total of all fresh fruits and vegetables exported by the United States.

The leading fresh fruit and vegetable products exported to Taiwan have been apples, grapefruit, plums, and table grapes. In fact, Taiwan is the number one overseas export market for apples, and accounts for 19 percent of all U.S. apples exported. Taiwan also is the leading destination for fresh plum exports, accounting for 43 percent of the total in fiscal 1990.

Even though the market is well established for some horticultural products, there is room for expansion, as well as for the introduction of new items. In addition, there are great opportunities for many other items. Exports to Taiwan in fiscal 1990 showed impressive gains over fiscal 1989 sales for many fresh produce items, including fresh plums (up 93 percent), oranges (120 percent), table grapes (26 percent), nectarines (104 percent), kiwifruit (65 percent), lettuce (40 percent), and celery (62 percent). U.S. pear sales to Taiwan rose from non-existent in 1988 to $1.4 million in 1990.

South Korea

Much effort by U.S. government and private organizations has been spent on gaining and maintaining access to the Korean market. Despite the difficulties, a look at U.S. export data to Korea shows that progress is being made and that the effort is well worth the cost.

Korea maintains a number of tariff and non-tariff restrictions on horticultural imports. Korea's import tariffs on fresh fruit and nuts range from 30 to 50 percent. Korea currently allows imports of lemons, grapefruit and several other items and imposes a restrictive quota on orange juice. Under the May 1989 U.S.-Korea Agricultural Agreement, Korea has agreed to liberalize imports of a number of products in January 1991, including walnuts, hazelnuts, melons, and canned peaches. Furthermore, in November 1989, Korea agreed to phase out, or bring into conformity with the GATT by 1997, all remaining restrictions on products including apples, oranges, pears, peaches, grapes, apple juice, orange juice, and grape juice. The phase-out will take place in two 3-year programs, beginning in March 1991. As the tariffs and quotas are removed, food safety, phytosanitary, and customs classification issues are becoming the foremost barriers to trade. In the last year, imports have been denied entry or destroyed for myriad "technical" reasons: alleged alar on grapefruit, vegetable oil on raisins, food additives (considered safe in the U.S.) in olives, and maraschino cherries; different packaging of identical products; and bacteria on frozen potatoes (discovered at retail point). Whenever the United States believes it has exhausted the possibility for "technical" solutions to these issues, the United States will continue to apply pressure at the political level.

The May 1989 U.S.-Korea Agricultural Agreement removed pecans from import licensing restrictions on January 1, 1990, but Korean plant health regulations prohibited the import of both pecans and strawberries (also liberalized in 1990) because of codling moth. Although the United States, has demonstrated to Korea that neither pecans or strawberries is a host to coddling moth, several shipments of U.S. pecans were destroyed by Korean customs for phytosanitary reasons. Recent information, however, indicates that the Korean government intends to relax this restriction and permit imports of pecans in the near future.

Codling moth may also prevent shipments of U.S. walnuts, which are due to be liberalized on January 1, 1991. USDA is now working to demonstrate to the Koreans that the U.S. has effective measures in place

which will ensure that the codling moth does not enter their country via walnuts, similar to systems in place that are accepted by other codling moth-free countries.

On the positive side, the U.S. government has made some progress on other issues such as labeling and exchange of information on inspection programs.

Indonesia

The U.S. and Indonesia have been conducting ongoing discussions under the GATT to remove Indonesia's import licensing restrictions on a range of bound agricultural products, including fresh citrus. While this move is a step in the right direction, the United States will continue to push for complete liberalization of all bound items. Indonesia currently has a tariff on fresh citrus of 30 percent.

Philippines

In fiscal 1990, the Philippines imported $1.5 million of fresh citrus from the United States. However, in August 1990, the Philippines banned imports of fresh fruit from California due to concerns about the fruit fly infestation. After California was declared free of the Medfly, the Philippines announced the lifting of the ban in January 1991. The Philippine tariff on fresh fruit is 50 percent.

Additionally, in 1990 a severe foreign exchange shortage led to a temporary ban on imports of non-essential items such as fruit. Recent reports indicate this ban has been relaxed for most commodities.

Thailand

Thailand imposes high tariffs (often in excess of 60 percent) on most horticultural products in order to protect local production. Potentially, it could be an important market for U.S. fruits and vegetables with a relaxation of these restrictions. An example of the effects of tariff liberalization in Thailand is the recent reduction of the Thai import duty on apples from about 100 percent to about 10 percent. U.S. apple exports increased $3.2 million in fiscal 1988 to over $8.7 million in fiscal 1990.

Australia

Australia, like California, has fresh strawberry production that lasts almost nine months of the year. However, the times of the year do not coincide, and California exporters have found Australia to be an excellent market in March through May, which corresponds to the first big wave of strawberry production in the state. By seizing this opportunity, California fresh strawberry exporters have increased their sales to Australia from $36,000 in 1987 to $2.5 million in 1989. This market has provided an outlet for U.S. strawberries at the time of the year when domestic supplies are high, and prices depressed.

Europe

EC Markets

The European Community is the world's largest market for imported fruits, nuts, and vegetables. The United States is a major supplier to this market, but competition from other suppliers and from within the EC itself is intense. An ever growing web of subsidy programs and import barriers erected under the aegis of the Community's Common Agricultural Policy (CAP), plus tariff preferences given to other suppliers, especially in the Mediterranean, have made it increasingly difficult for U.S. exporters to compete in the EC. It is still too early to tell what the overall impact of EC 1992 will have on U.S. exports to the Community but there is some concern that it could further complicate U.S. efforts to increase its sales levels to this important market.

EUROPEAN COMMUNITY - 1992

The European Community (EC) traditionally has been one of the largest U.S. markets for horticultural products. The important changes taking place as the EC approaches the status of a single market will certainly affect its trading status in the global arena.

Over the past year, the EC has made considerable progress in realizing its goal of creating a single internal market. The majority of market directives related to horticultural trade concern harmonization of phytosanitary measures. The remainder concern food safety and processed food legislation.

One major concern is how the ultimate removal of border controls within the Community will affect U.S. trade. Although it is still early to predict the overall effect of EC 1992 on U.S. horticultural trade, exporters should benefit from harmonized standards and access through one border (rather than twelve). However, harmonization of EC standards will only improve access if those standards are reasonable and based on sound science, in line with the EC's commitment in the Uruguay Round.

U.S. horticultural exports to the EC totaled $966 million in fiscal 1990, up almost 10 percent from 1989. Sales to the Community accounted for 18 percent of exports to all countries. The products most responsible for this gain were tree nuts, dried fruits, processed vegetables, fresh deciduous fruits, and wine.

The U.S. dominates the EC import market for almonds, walnuts, and prunes and is a major supplier of grapefruit, raisins, and grapefruit juice. In addition, the EC is among the largest U.S. markets for a number of these products.

Almond exports to the EC were valued at almost $275 million in fiscal 1990, which accounted for 52 percent of all U.S. almond exports. Nearly half of this amount is targeted for Germany alone, which makes Germany the single largest market for California almonds.

Walnuts also rely heavily on EC import demand to support U.S. exports. The California walnut industry was successful in raising export levels to an all-time high in fiscal 1990. In fact, in the United Kingdom, the value of U.S. walnut exports jumped 60 percent over fiscal 1989 levels.

The EC has been a major growth market for grapefruit and today it is the second largest market for U.S. grapefruit, accounting for nearly 30 percent of American exports to all countries. Sales to the Community increased from 52,000 tons in fiscal 1985 to nearly 140,000 tons in fiscal 1989.

Eastern Europe

Eastern Europe's recent market reforms mean farm and food enterprises will have to be responsive to consumer demands. Thus, the potential for new markets for U.S. horticultural products deserves a close look.

By the close of 1990, Eastern Europe (excluding the USSR) will translate into a potential market of over 100 million people. However, near-term prospects for U.S. horticultural products appear dim as the region as a whole is constrained by slow growth, inflation, hard currency shortages, low disposable incomes, and inadequate infrastructure. Furthermore, the European Community has the advantage of close proximity and Eastern Europe already produces an abundance of fruits and vegetables.

Horticultural commodities that do hold promise are those which Eastern Europe does not produce such as nuts (especially walnuts and almonds), canned fruits, dried fruits (especially raisins), exotic fruits, and citrus fruits and juices for upscale markets and hotels.

The MPP program could make promotional funds available for specific commodities in Eastern Europe. Promotional activity could take various forms, including market research, but trade servicing and point-of-sale contact with consumers could be particularly effective in the East European countries considering their years of isolation.

Conclusion

Export markets for horticultural products are constantly changing, with new opportunities being discovered all the time. U.S. exporters must continue to be on the lookout for opportunities based on temporary shortfalls in nontraditional markets, or long-term shifts in production. To remain competitive, U.S. exporters also will have to remain on the cutting edge in developing technology to reduce production and marketing costs. Further, they will have to remain increasingly responsive to the diverse cultures and product demands of consumers in foreign countries.

The outlook for continued growth in horticultural exports is favorable. On the whole, markets for horticultural products are opening, not closing. The U.S. government, working hand-in-hand with interested industry representatives, has played a major role in reducing obstacles to overseas access for U.S. horticultural products. It is to the credit of the U.S. industry that U.S. producers and shippers have been quick to recognize and take advantage of these new opportunities.

The U.S. government continues to be concerned about the level of impediments to U.S. horticultural exports. But working closely with U.S. industry, a strong consistent attack on barriers to U.S. horticultural exports will lead to further expansion of market opportunities in the future.

The above article is based on a talk given by Richard Barnes, Director of the Horticultural and TopicalProducts Division (HTP) of FAS, and prepared by the Analysis section of HTP. Questions about the article can be directed to Rick Helms, (202) 447-3423.

U.S. Agricultural Exports by Major Commodity Group

Monthly & Annual Performance Indicators Including Fiscal 1991 Forecasts

	November 1989	November 1990	Change	Year to Date Oct–Nov 1989	Year to Date Oct–Nov 1990	Change	Fiscal Year 1990	Fiscal Year 1991(f)	Change
	--Bil.$--		Change	--Bil.$--		Change	--Bil.$--		Change
Grains & feeds 1/	1.533	1.126	-27%	2.859	2.173	-24%	16.019	13.8	-14%
Wheat	0.311	0.235	-24%	0.706	0.503	-29%	4.224	3.1	-27%
Wheat flour	0.031	0.014	-54%	0.048	0.028	-42%	0.202	0.2	-1%
Rice	0.089	0.073	-18%	0.182	0.158	-13%	0.830	0.8	-4%
Feed grains 2/	0.886	0.529	-40%	1.475	0.911	-38%	7.962	7.0	-12%
Corn	0.813	0.453	-44%	1.298	0.755	-42%	6.929	6.0	-13%
Feeds & fodders	0.124	0.158	27%	0.270	0.326	21%	1.812	NA	NA
Oilseeds & products	0.644	0.595	-8%	1.272	0.956	-25%	6.253	6.2	-1%
Soybeans	0.467	0.399	-15%	0.919	0.592	-36%	3.939	3.9	-1%
Soybean meal	0.079	0.096	22%	0.135	0.154	14%	0.990	1.1	11%
Soybean oil	0.019	0.013	-33%	0.043	0.037	-15%	0.339	0.3	-12%
Other vegetable oils	0.043	0.041	-4%	0.105	0.099	-6%	0.394	NA	NA
Livestock products	0.450	0.469	4%	0.914	0.994	9%	5.418	5.5	2%
Red meats	0.180	0.220	22%	0.364	0.424	16%	2.181	NA	NA
Hides & Skins	0.133	0.134	1%	0.274	0.256	-7%	0.468	NA	NA
Poultry products	0.067	0.079	19%	0.129	0.172	33%	0.856	0.9	5%
Poultry meat	0.051	0.057	13%	0.092	0.125	36%	0.624	NA	NA
Dairy products	0.026	0.023	-12%	0.057	0.044	-24%	0.342	0.5	46%
Horticultural products	0.397	0.537	36%	0.829	1.125	36%	5.154	5.5	7%
Unmanufactured tobacco	0.193	0.181	-6%	0.299	0.287	-4%	1.373	1.4	2%
Cotton & linters	0.185	0.271	46%	0.362	0.409	13%	2.719	2.7	-1%
Planting seeds	0.042	0.056	33%	0.081	0.101	25%	0.580	0.6	3%
Sugar & tropical products	0.117	0.161	38%	0.241	0.314	30%	1.401	1.4	0%
Total ag. export value	3.654	3.497	-4%	7.044	6.576	-7%	40.118	38.5	-4%
	--MMT--		Change	--MMT--		Change	--MMT--		Change
Grains & feeds 1/	11.373	8.580	-25%	20.651	15.983	-23%	113.555	NA	NA
Wheat	1.902	2.103	11%	4.342	4.375	1%	28.095	27.5	-2%
Wheat flour	0.135	0.068	-50%	0.201	0.135	-33%	0.88	1.2	36%
Rice	0.267	0.263	-1%	0.548	0.546	0%	2.502	2.4	-4%
Feed grains 2/	8.121	4.992	-39%	13.515	8.495	-37%	69.031	59.8	-13%
Corn	7.458	4.266	-43%	11.914	7.009	-41%	59.878	51.8	-13%
Feeds & fodders	0.766	0.963	26%	1.686	2.001	19%	11.065	11.9	8%
Oilseeds & products	2.601	2.335	-10%	5.062	3.583	-29%	24.046	NA	NA
Soybeans	2.086	1.708	-18%	4.100	2.518	-39%	17.217	16.6	-4%
Soybean meal	0.348	0.454	30%	0.589	0.717	22%	4.558	5.0	10%
Soybean oil	0.037	0.020	-46%	0.090	0.059	-34%	0.614	0.6	-2%
Other vegetable oils	0.071	0.059	-17%	0.190	0.149	-22%	0.618	NA	NA
Livestock products 3/	0.198	0.194	-2%	0.432	0.354	-18%	2.381	NA	NA
Red meats	0.063	0.065	3%	0.134	0.123	-8%	0.676	0.7	4%
Poultry products 3/	0.047	0.051	9%	0.084	0.115	37%	0.564	NA	NA
Poultry meat	0.047	0.051	9%	0.084	0.114	36%	0.56	0.6	7%
Dairy products 3/	0.018	0.016	-11%	0.036	0.028	-22%	0.214	NA	NA
Horticultural products 3/	0.344	0.489	42%	0.724	0.987	36%	4.565	5.0	10%
Unmanufactured tobacco	0.032	0.028	-13%	0.050	0.043	-14%	0.22	0.2	-9%
Cotton & linters	0.117	0.160	37%	0.232	0.243	5%	1.703	1.6	-6%
Planting seeds	0.027	0.025	-7%	0.072	0.057	-21%	0.578	NA	NA
Sugar & tropical products 3/	0.076	0.111	46%	0.159	0.198	25%	0.921	NA	NA
Total ag. export volume 3/	14.833	11.988	-19%	27.501	21.592	-21%	148.749	139.5	-6%

NA = Not available.

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.
3/ Includes only those items measured in metric tons.

Note--1991 forecasts are taken from "Outlook for U.S. Agricultural Exports", Nov. 27, 1990.

Weekly Quotations for Selected International Prices 1/

Dollars per metric ton	Week of 1/20/91	Month ago	Year ago
Wheat (c.i.f. Rotterdam) 2/			
Canadian No. 1 CWRS 13.5%	145	148	201
U.S. No. 2 DNS 14 %	NQ	NQ	194
U.S. No. 2 SRW	124	132	189
U.S. No. 3 HAD	150	148	182
Canadian No. 1 durum	155	153	192
Feed Grains (c.i.f. Rotterdam) 2/			
U.S. No. 3 yellow corn	123	123	127
Soybeans and Meal (c.i.f. Rotterdam) 2/			
U.S. No. 2 yellow soybeans	238	242	240
U.S. 44 % soybean meal	NQ	NQ	NQ
Brazil 48 % soy pellets	203	210	226
U.S. Farm Prices 3/ 4/			
Wheat	86	89	138
Barley	77	73	86
Corn	86	86	88
Sorghum	83	84	81
Broiler 5/	1,191	1,114	1,167
Soybeans 6/	209	214	206
EC Import Levies			
Common wheat	138	122	97
Durum wheat	143	145	126
Barley	108	109	84
Corn	102	102	96
Sorghum	107	107	100
Broilers	179	179	241
EC Intervention Prices 7/			
Premium Wheat	127	126	133
Common Wheat	125	124	131
Feed Wheat	119	118	124
Maize	125	124	131
Barley	119	118	124
Sorghum	NA	NA	124
Broilers	NA	NA	849
EC Export Restitution (subsidies)8/			
Common wheat	82	83	62
Barley	74	74	67
Broilers	NA	NA	265

NQ = No quote. NA = Not available. Note: Changes in dollar value of EC import levies, intervention prices, and export restitutions may be the result of changes in $/ECU exchange rates.

*1/ Mid-week quote. 2/ Asking price in dollars for imported grain and soybeans and soybean products, c.i.f. Rotterdam for nearby delivery. 3/ Five-day moving average. 4/ Target price for current marketing year in $/metric ton: wheat, $151; barley, $112; corn, $112; sorghum, $106; soybean loan rate, $166. 5/ Composite 12-city weighted average price for trucklot sales to be delivered to first receiver. 6/ Central Illinois processors bid to arrive. 7/ Buy-in equals 94% of intervention price plus full value of monthly increments. 8/ Figures represent restitutions awarded nearest to the listed dates, * denotes no award given since the previous month.*

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